

MicroSave

Market-led solutions for financial services

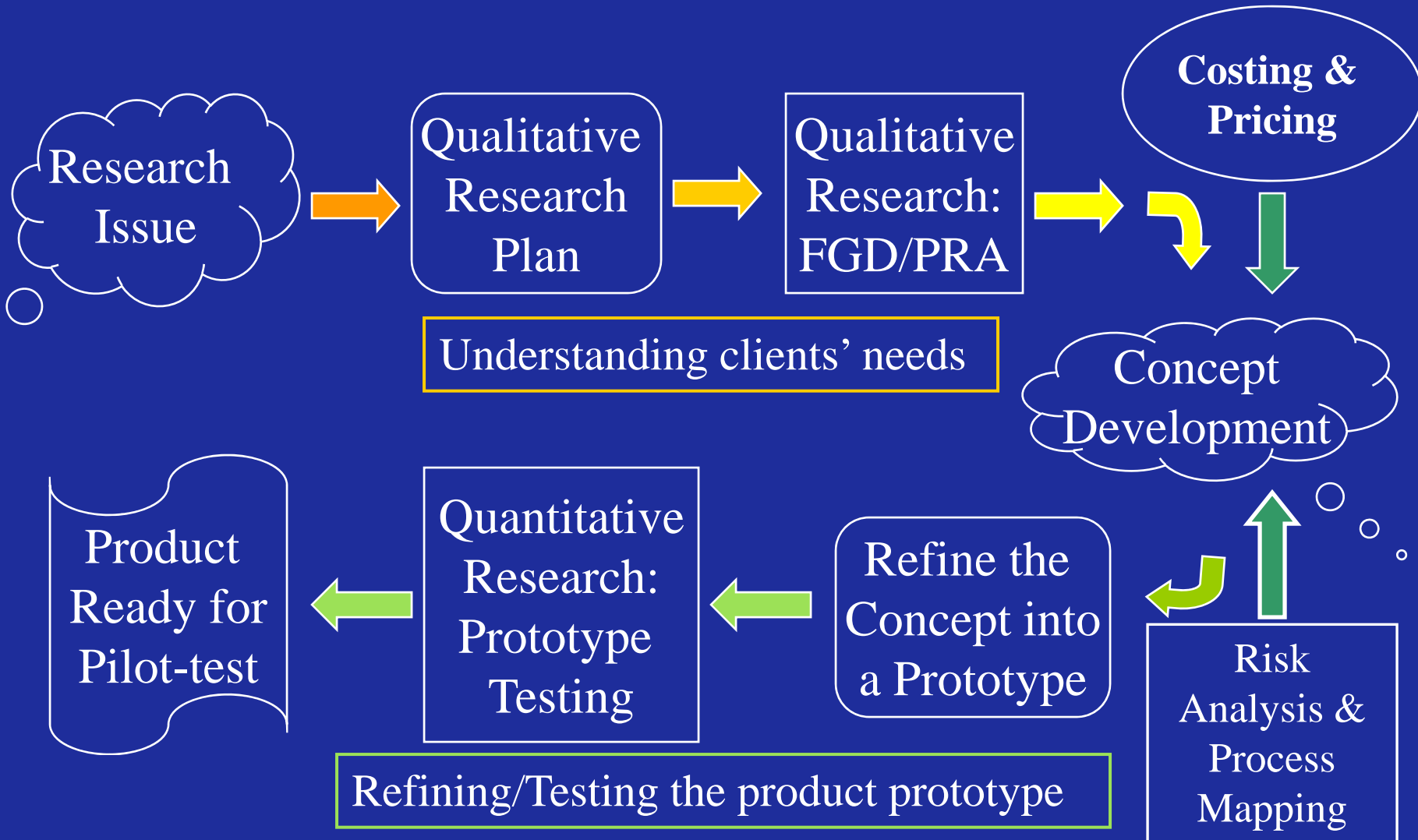
**Product Development
and
Designing Savings Services**

Diverse Services Driven By Diverse Needs

Household Formation



Market Research & Product Development Process Overview



Market Research for Microfinance

- Focus Group Discussions and Participatory Rapid Appraisal tools

- Ranking



Market Research for Microfinance

- Relative Preference Ranking

	THE NHCS	VARD NW	T/M	T/U NHAN	HO (partially visible)
LÃI SUẤT					
ĐIỀU KIỆN ĐƯỢC VAY	5 dots	4 dots	3 dots	2 dots	1 dot
CÁCH TRẢ?	2 dots	3 dots	4 dots	5 dots	6 dots
THỜI HẠN	4 dots	3 dots	2 dots	1 dot	0 dots
THÁI ĐỘ PHỤC VỤ	3 dots	4 dots	5 dots	6 dots	7 dots
THU' TỤC	1 dot	2 dots	3 dots	4 dots	5 dots
MỨC VAY	1 dot	2 dots	3 dots	4 dots	5 dots
CÁC CHI PHÍ ĐI VAY	1 dot	2 dots	3 dots	4 dots	5 dots

Market Research for Microfinance

- Seasonality Analysis

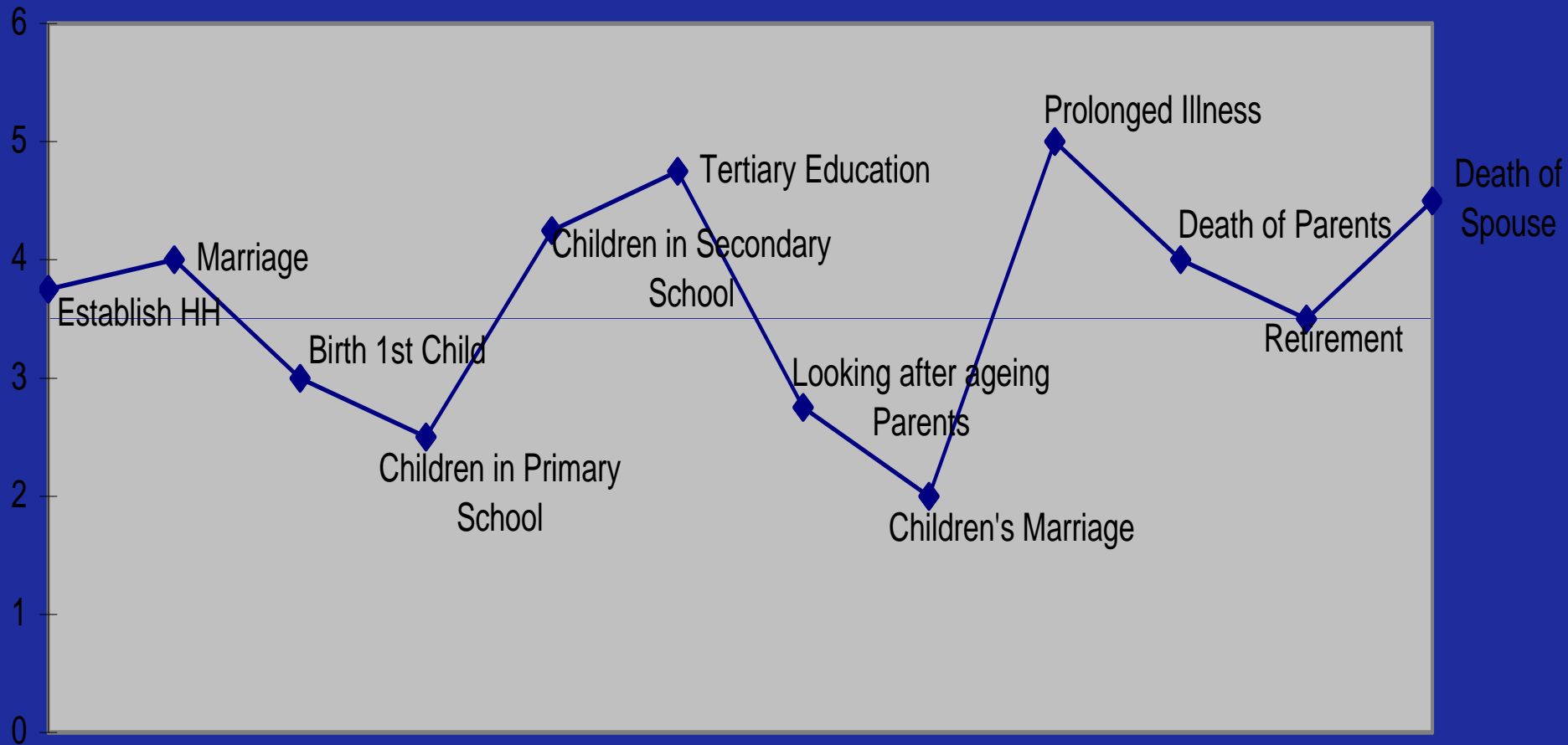


Three Risks & Opportunities for the Poor



Lifecycle Risks

(from Lifecycle Analysis)

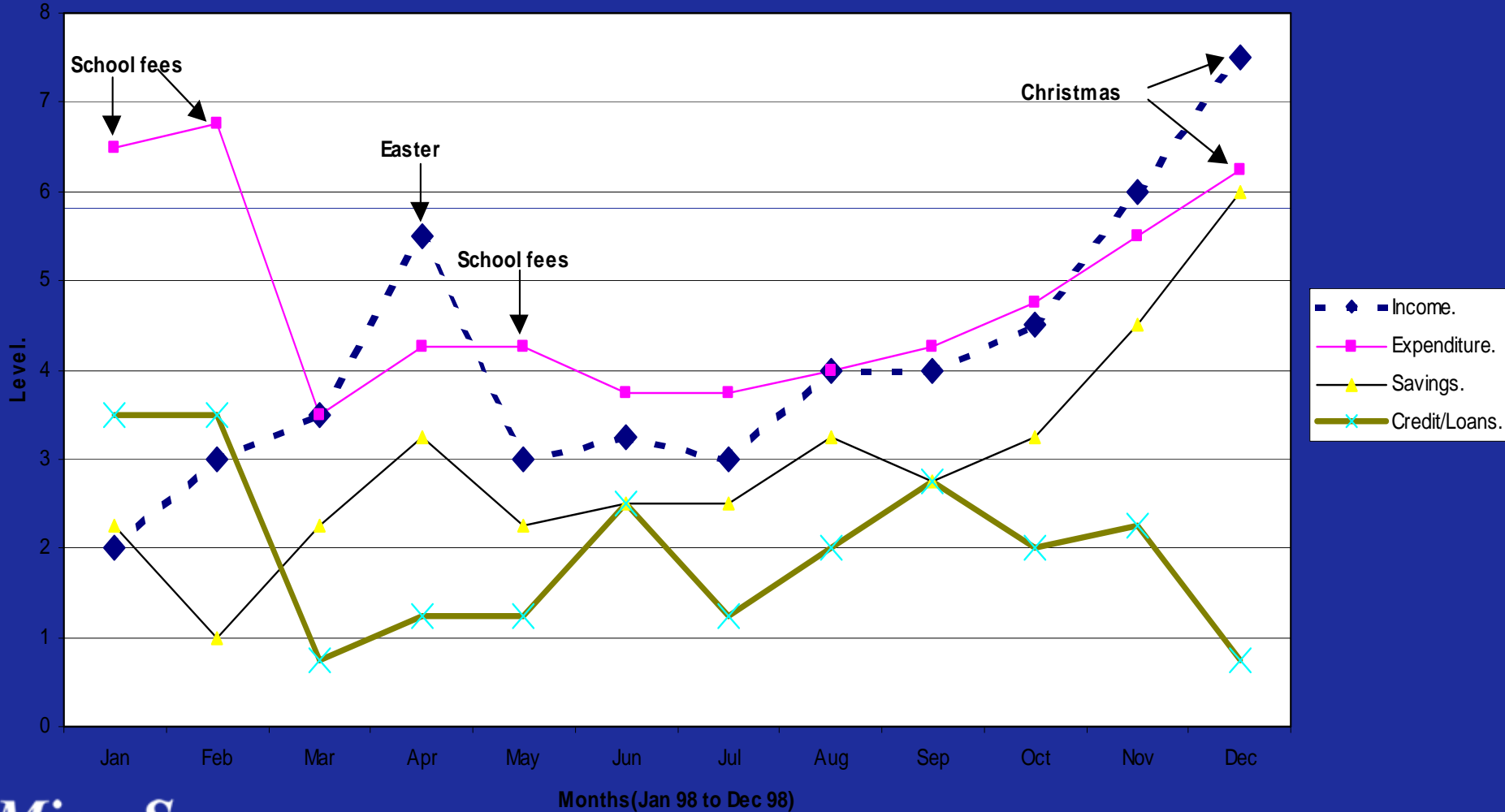


- Lifecycle Events (x axis) and Relative Financial Pressure (y axis)

Seasonal Risks

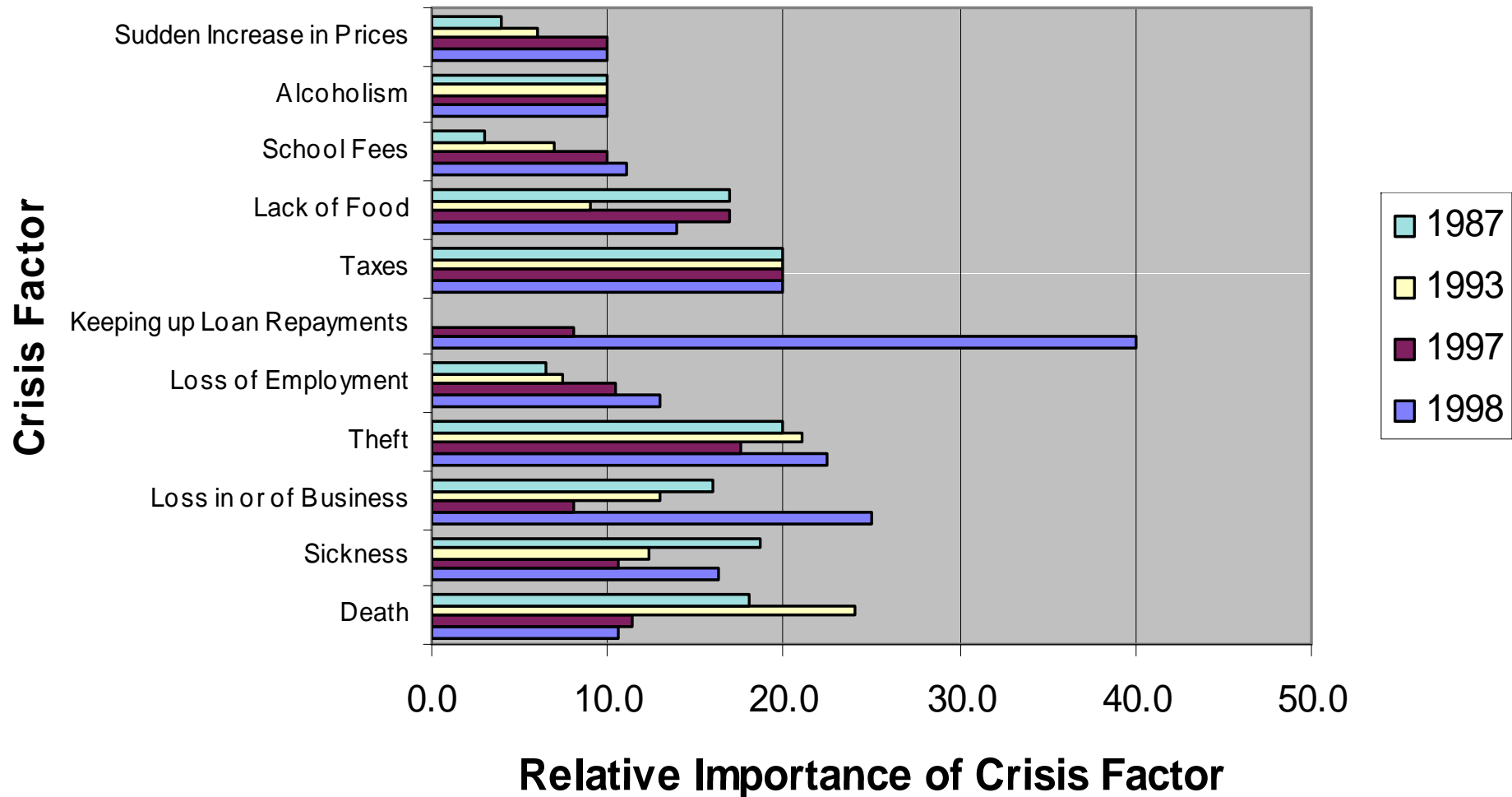
(from Seasonality Calendars)

Seasonality of income, expenditure, savings and credit.



Crisis Risks

(from Time Series Analysis)



Opportunities ...



In Summary ...

Poor people look for an appropriate mixture of:

1. Ease of **Access** in terms of:
 - a. Distance
 - b. Terms & Conditions
 - c. Treatment in office
 - d. Paperwork
2. **Security**
3. **Disciplined systems**
4. **Liquidity/illiquidity**
5. **Interest** (less important)



Pricing Bases

- ***Cost based*** – prices are based on the cost of the product plus a margin.
- ***Competition/Market based*** – prices are based on the prices charged by competitors
- ***Demand based*** – prices are based on an assessment of the value of the product to the customer



Products Should be Designed and Priced Together

- Set a spread between loan and deposit rates that enables institutional profitability.
- Most savers selecting liquid accounts are not highly interest rate sensitive – service matters more.
- Adjusting the interest rates requires some experimentation. For example, a savings instrument that features easy and quick access (liquidity) and is in high demand can be labour-intensive to manage.
- These costs are difficult to determine, so pilot-tests are needed to estimate costs accurately.
- In some circumstances you can charge fees!

Developing the Concept

Consider the concept in terms of the eight Ps:

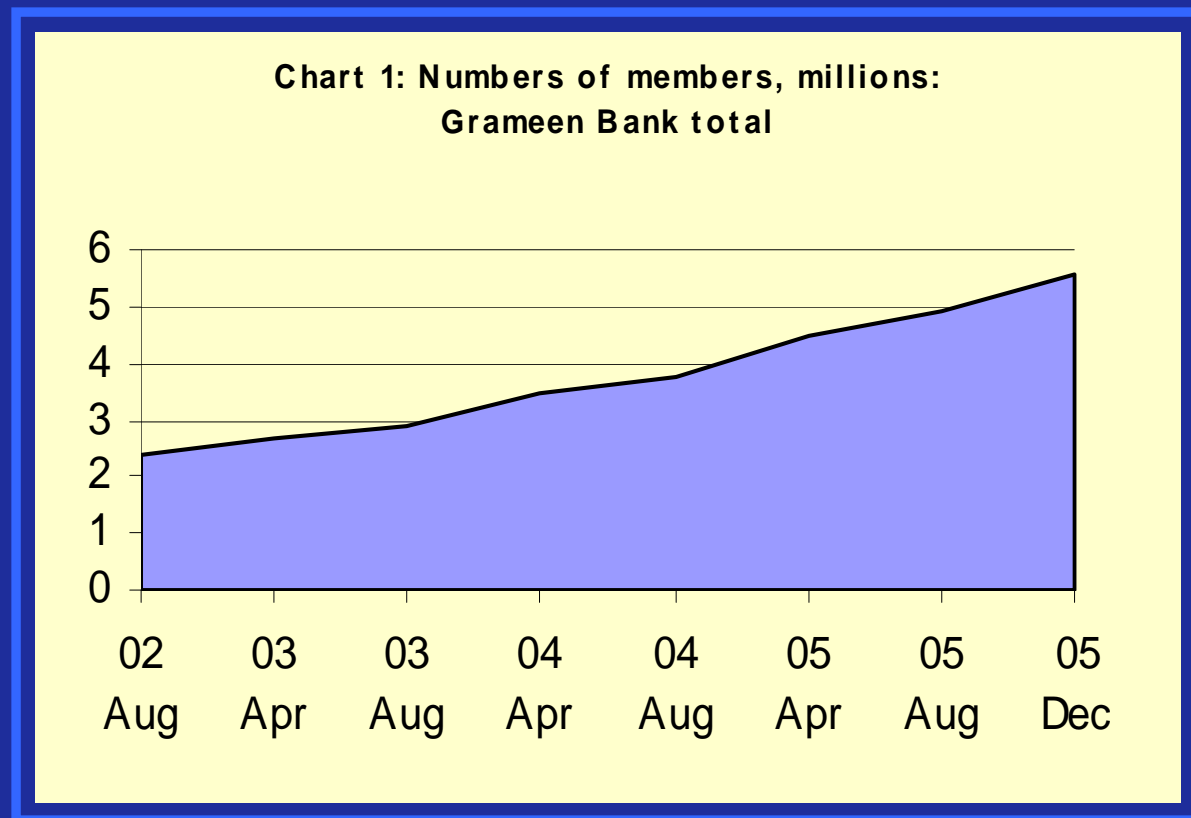
- **Product (design)** - specific features, terms etc.
- **Price** - interest rates, transaction cost etc.
- **Place** - distribution, accessibility etc
- **Promotion** - advertising, PR, etc.
- **Positioning** - in target customer's mind
- **Physical Evidence** - the physical appearance of the product/service
- **People** - the human interactions as the product/service is delivered
- **Process** - how the product /service is delivered: the steps/systems to “sale”

Handout: Concept Development Matrix

Market-led Grameen II 2002-2005 (1)

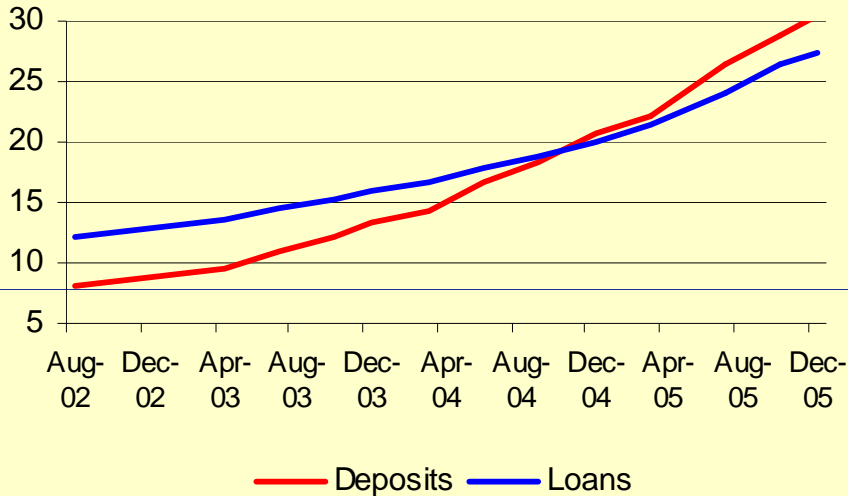
- “Grameen took 27 years to reach 2.5 million members – and then doubled that in the full establishment of Grameen II” – Stuart Rutherford, 2006

- Top-Up Loans
- Individual Enterprise Loans
- Flexi-Loans
- Voluntary Savings
- Contractual Savings



Market-led Grameen II 2002-2005 (2)

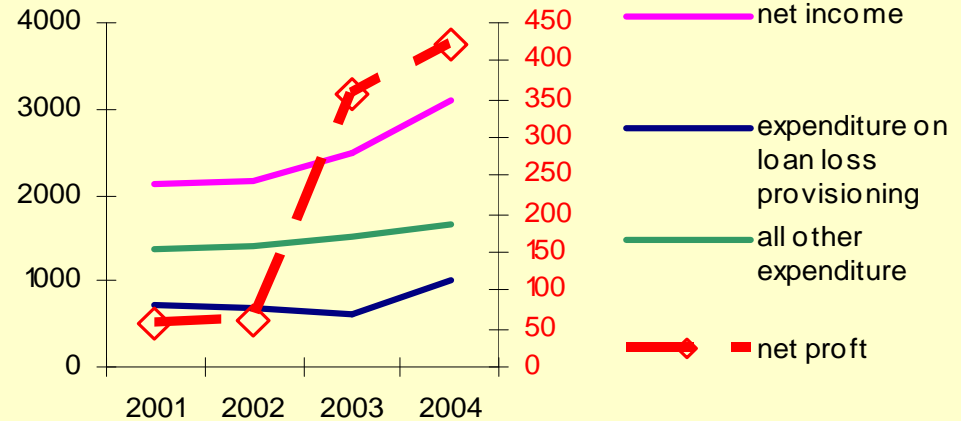
Chart 5: Deposit and loan portfolios: billion taka



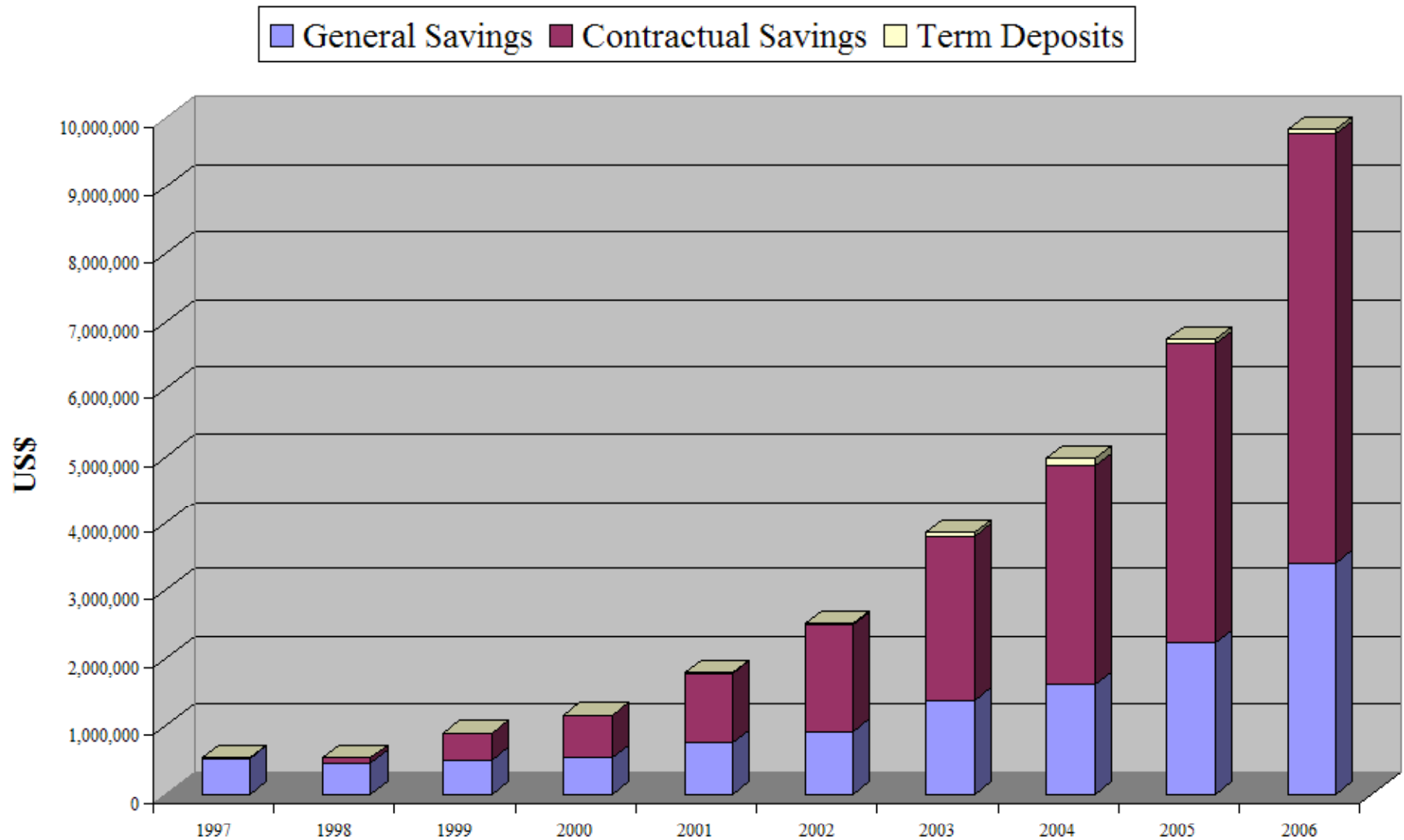
Success brings new problems ... a growing gap between assets and liabilities.

But hugely reduced PAR, drop-outs and hugely increased profits as a result ...

Chart 6: Annual income and expenditure (left axis), profits (right axis) million taka



BURO – Savings Products Over Time



Conclusion: Savings Benefit All

- The poor are able to access a secure place to save
- Satisfied clients repay their loans more willingly
- The MFI gets:
 - A reliable, stable source of capital
 - Income from loans/savings service fees
- National economy benefits as informal savings bought into the formal economy



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